# GRADWORKS INC.

## FINANCIAL STATEMENTS

## DECEMBER 31, 2006

## AUDITORS' REPORT

To the Member of Gradworks Inc.

We have audited the statement of financial position of **Gradworks Inc.** as at December 31, 2006 and the statements of operations and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Dudley + Company LLP

Chartered Accountants
Regina, Canada

February 3, 2006

**GRADWORKS INC.**

**STATEMENT OF FINANCIAL POSITION**

**As at December 31**

| | 2006 | 2005 |
|---|---|---|
| **ASSETS** | | |
| Cash | **$ 36,938** | $ 243,855 |
| Accounts receivable (Note 3) | **58,139** | 9,629 |
| | **$ 95,077** | $ 253,484 |
| **LIABILITIES** | | |
| Accounts payable (Note 3) | **$ 9,496** | $ 75,986 |
| Deferred revenue (Note 4) | **72,367** | 153,379 |
| Accrued vacation expense | **13,214** | 24,119 |
| | **95,077** | 253,484 |
| **NET ASSETS** | **-** | - |
| | **$ 95,077** | $ 253,484 |

(See accompanying notes)

Barry Gillyard
_____, Director

R. D. Lucas
_____, Director

**GRADWORKS INC.**

**STATEMENT OF OPERATIONS**

**For the Year Ended December 31**

| | 2006 | 2005 |
|---|---|---|
| **REVENUES** | | |
| Operating grants from CIC (Note 4) | **$ 1,822,782** | $ 1,500,329 |
| Interest | **11,023** | 5,737 |
| | **1,833,805** | 1,506,066 |
| **EXPENSES** | | |
| Internship salaries and benefits | **1,574,556** | 1,199,978 |
| Program manager fees (Note 5) | **140,761** | 225,178 |
| General administrative and other | **118,488** | 80,910 |
| | **1,833,805** | 1,506,066 |
| **EXCESS OF REVENUES OVER EXPENSES** | **$ -** | $ - |

(See accompanying notes)

**GRADWORKS INC.**

**STATEMENT OF CASH FLOWS**

**For the Year Ended December 31**

| | 2006 | 2005 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Excess of revenues over expenses | **$ -** | $ - |
| Items not involving cash: | | |
| Increase in accounts receivable | **(48,510)** | (9,629) |
| (Decrease) increase in accounts payable | **(66,490)** | 75,986 |
| (Decrease) increase in accrued vacation expense | **(10,905)** | 24,119 |
| (Decrease) increase in deferred revenue | **(81,012)** | 153,379 |
| Cash (used in) provided by operating activities | **(206,917)** | 243,855 |
| **NET CHANGE IN CASH** | **(206,917)** | 243,855 |
| **CASH POSITION, BEGINNING OF YEAR** | **243,855** | - |
| **CASH POSITION, END OF YEAR** | **$ 36,938** | $ 243,855 |

(See accompanying notes)

**GRADWORKS INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2006**

## 1. Status of the Corporation

Gradworks Inc. (the Corporation) was established on December 22, 2004 under ***The Non-profit Corporations Act, 1995.*** The Corporation is a wholly-owned subsidiary of Crown Investments Corporation of Saskatchewan (CIC), a Saskatchewan provincial Crown corporation. Accordingly, the accounts of the Corporation are consolidated in the annual financial statements of CIC.

Gradworks is mandated to fund internships to qualified Saskatchewan graduates within Provincial Crown Corporations. The Corporation provides career development programs and mentorship to recent post secondary graduates while providing Provincial Crown Corporations with access to young professionals.

CIC provides grants to the Corporation to fund its operations.

## 2. Summary of Significant Accounting Policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The following are considered significant:

a) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Actual results may differ from those estimates and would impact results reported in future periods.

b) Revenue Recognition

Operating grants are received from CIC. Operating grants are approved by Order in Council and recognized as revenue as expenses are incurred.

## 3. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations related to the Company by virtue of common control by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms.

Included in Accounts Payable is $Nil (2005 - $66,480) due to CIC as a refund of operating grants.

Included in Accounts Receivable is $47,201 (2005 – $Nil) due from CIC and related Crown Corporations.

Other transactions and amounts due to and from related parties and the terms of settlement are described separately in these financial statements and the notes thereto.

CIC provides management services to the Corporation without charge.

## 4. Operating Grants and Deferred Revenue

Operating grants are recognized as revenue as operating expenses are incurred. The difference between funds forwarded from CIC and operating expenses has been recorded as deferred revenue. Amounts recorded as deferred revenue are determined as follows:

| | 2006 | 2005 |
|---|---|---|
| Opening deferred revenue | **$ 153,379** | $ - |
| Operating funds provided by CIC | **1,741,770** | 1,653,708 |
| Less: Operating grant revenue | **(1,822,782)** | (1,500,329) |
| Deferred Revenue | **$ 72,367** | $ 153,379 |

## 5. Program Manager Fees

To June 30, 2006, the Corporation had retained the services of McNair Business Development (McNair) to administer daily operations. On July 1, 2006, through Board resolution, the administration functions transferred to CIC.